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Organizations of Water Users Associations

- 1913 -

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DEPARTMENT OF THE INTERIOR
UNITED STATES RECLAMATION SERVICE

ORGANIZATION OF
WATER USERS' ASSOCIATIONS

1913



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REPORT OF THE

STUDY

1913

ORGANIZATION OF WATER USERS' ASSOCIATIONS, 1913.

PRELIMINARY STEPS.

1. The preliminary steps for the organization of a water users' association under any project should be taken by a committee of people who are prominent in the vicinity, and who have the confidence of those residing under the project. It is advisable that such committee be appointed by a general mass meeting of those interested in the development of the project.

ARTICLES OF INCORPORATION AND BY-LAWS.

2. The articles of incorporation of the water users' association and Article I of the by-laws should be substantially in the form given herein (p. 10, Appendix A).

3. It is important that all the provisions relating to the adjustment of water rights, the regulation and distribution of water, the appurtenance of the water to the land, and the lien for the charges on account of construction should be left without change.

4. The articles of incorporation are to contain the provisions customarily used under the local law to constitute a corporation. The by-laws proposed for the organization are divided into two parts; Article I contains the essential provisions required by the conditions of the reclamation act, which are to be subject to modification or amendment only with the approval of the Secretary of the Interior. The other articles provide for the government of the association and the conduct of its business and will be subject to modification as may be desired. Additional articles will be adopted from time to time as they may be required.

5. Those matters in the articles and by-laws which relate to the government of the association, the number of its officers, and the conduct of its business may be modified as found necessary on account of local conditions or the local laws or decisions of the courts.

6. Inasmuch as the contract (p. 26, Appendix B) which the association is to make with the Secretary of the Interior requires that no change shall be made in the provisions of its articles of incorporation and by-laws relating to water rights, appurtenance, liens,

etc., without the consent of the Secretary of the Interior, it is necessary to incorporate in the articles and by-laws a similar provision concerning change, unless the local laws do not permit. In such case these features must be left to be fixed by the contract between the water users association and the Secretary of the Interior.

7. When the articles of incorporation and by-laws have been formulated to the satisfaction of the committee, a copy should be forwarded to the Director of the Reclamation Service at Washington, D. C., for examination, in order to make sure that they conform to the requirements of the Secretary of the Interior; and that the committee may receive the benefit of the experience of other localities. This examination will be promptly made and the committee immediately informed of any changes deemed important for them to consider.

8. Full publicity should be given to the various important features decided upon and also to the general form of articles of incorporation and by-laws promulgated by the service, as deviations from this will probably be only in matters of detail and such as will not form the subject of serious controversy.

9. By the time the articles and by-laws have been put in final form, acceptable to the Secretary, the people generally will have obtained a thorough understanding of the conditions from the local press and also through mass meetings held from time to time for general discussion. The committee can then file the articles of incorporation with the appropriate State officer.

STOCK SUBSCRIPTION.

10. After the articles have been filed, one or more mass meetings should be called, as may be necessary, to bring together all the people interested. At these meetings the articles and by-laws should be fully discussed and subscriptions to the stock obtained from those present. It is necessary to obtain a sufficient number of subscriptions for lands to assure the financial success of the project. Subscription blanks (see p. 13, Article I of by-laws, Appendix A) should be printed and ready for use at such meetings.

11. The subscriptions to stock should provide for an acknowledgment by both the husband and the wife, even in States where there is no right of dower and where in ordinary conveyances the wife is not required to join, in order that her signature may be obtained in case a homestead exemption has been declared. If any land subscribed is subject to a homestead exemption the subscription to stock must be executed in such manner as will permit the lien therein provided to attach to the land. The subscription should not be accepted unless it includes all the land under the project owned by the subscriber.

A careful soil examination of the land will be made by the Reclamation Service, and all shares representing nonirrigable land will thereafter be eliminated. Ample provision is made in the by-laws for refunding any assessments collected on shares which are afterwards canceled.

PRIVATE HOLDINGS—EXCESS LANDS.

12. Subscribers who own lands in excess of the area for which water will be furnished to lands in private ownership should, for convenience in transferring stock, make one subscription for the tract which they propose to hold under the project and one or more other subscriptions for their other holdings, conforming to the subdivisions in which it is proposed to sell them.

13. Those who own lands under the project in excess of 160 acres or such smaller area as may be fixed by the Secretary as the maximum holding for land in private ownership are required to dispose of the excess so that at the time when the water is ready to be furnished to his land no one person holds more than the limit of irrigable land. In order to insure this adjustment it will be necessary for such persons to execute a contract, providing for the subdivision of their lands with the water users' association, or in such other manner as the Secretary of the Interior may direct.

14. In general terms, this contract is a transfer of the land in trust with power in the trustee to sell the same at public auction in case it has not been sold to parties qualified to apply for a water right under the provisions of the reclamation act, when water is ready for delivery by the United States. A copy of the form of contract used for this purpose will be furnished by the director.

15. Under the terms of the trust deed the conditions of the trust remain in effect until the acceptance of an application for water right duly made by a qualified holder of the land. When the trust has been fulfilled and after payment of all costs and expenses of the trust, the trustee will execute the necessary papers to close out the trust.

RECORDING OF CONTRACTS AND SUBSCRIPTIONS.

16. In order that none of these lands may be transferred independently of these conditions, it is important that both the stock subscription contracts and the trust deeds be promptly recorded.

17. The matter of recording the subscriptions to stock is one of special importance, because if not recorded the transfer of any tract for which a subscription has been made will not carry with it the conditions of the subscription, and it would become necessary to obtain a new subscription from the purchaser in order to protect the Government and the water users. Such new subscriptions must be obtained

when a transfer is made before the original subscriptions have been recorded. The association must keep track of all conveyances of land in the project in order to keep up the subscriptions.

18. The recording of all these subscriptions is a matter involving some expense, but it should be done as soon as possible. In most of the States legislation has been enacted to facilitate this recording in such manner that much of the expense which would ordinarily attach is avoided.

19. The association should prepare a record of the lands within the project at the time it begins business, showing the status of each tract, and should keep the record up to date by noting all transfers and other instruments placed of record which may affect the title.

20. In order that the association may be able to carry on its business, small assessments must be levied during the early stages of its organization. Usually an assessment of from 5 to 10 cents per acre is levied for current expenses as may be required from time to time.

CERTIFICATE OF STOCK.

21. The association will issue certificates of stock when the Secretary of the Interior has finally determined the extent of land irrigable from the project. (See Appendix C.) These certificates of stock should recite the matters required by the articles of incorporation and the by-laws and should also contain a statement of the procedure adopted to enforce the lien against the land for which the subscription was made.

22. When an association is organized before the official adoption of the project the next step after the decision of the Secretary of the Interior to authorize construction is to close the subscription books. It will be necessary for the association to give reasonable public notice that after a certain date no further subscriptions will be accepted, except at the designation of the Secretary of the Interior and pursuant to the conditions of membership prescribed by its articles and by-laws.

23. If the local laws permit, there is no objection to a by-law making all new subscribers subject to all assessments levied prior to their subscription and providing also for the levy of fines upon delinquents and admission fees for those subscribing after the books are closed. This is advisable in order that those who delay or neglect making their subscriptions or paying assessments shall be placed upon an equitable basis in relation to those who subscribed and paid promptly.

CONTRACT WITH SECRETARY OF THE INTERIOR.

24. In case the association is organized when the project is first taken up, after the closing of the subscription books, preparations must be made for the execution of a contract between the water users'

association and the Secretary of the Interior. The form of this contract is printed as Appendix B, page 26, and can be adapted to any project with very few changes. This contract must be entered into before the construction will begin. When an association is organized after the construction of the project, this contract is necessary to secure full recognition of the association and will be appropriately modified.

25. Under this contract the association assumes the obligation to guarantee the payment of the charges for the Government construction, operation, and maintenance levied against its members, which will be a large sum annually, and therefore will be subject to the provisions of the articles and by-laws requiring a vote of the stockholders in order to validate the incurring of such obligation. The association must therefore adopt the proper by-laws regulating meetings for such purpose, and give notice as prescribed by the articles and the by-laws.

26. This contract form has received the approval of the Secretary of the Interior, and no changes should be made, as they might involve a refusal on the part of the Secretary to execute the same, and thus make necessary another stockholder's meeting and perhaps delay further proceedings. Before the election to authorize the contract is announced, a copy of the proposed form of contract should be forwarded to the director, in order that it may be carefully examined and the association advised as to its compliance with the requirements of the Secretary of the Interior.

27. After the meeting has been held and the contract has been authorized by the stockholders, the same should be executed in duplicate by the proper officers of the association, and there should be attached to each a copy of the articles of incorporation and by-laws both duly certified under seal of the corporation. There should also be copies of the notices to and of the proceedings by the stockholders authorizing the execution of the contract, and of the proceedings by the board of directors authorizing the signature of the contract by the appropriate officers. The secretary of the association should certify, under corporate seal, that the association is duly organized and that a certificate of incorporation has been issued to the association by the Secretary of State. In other words, the papers should contain complete evidence that the contract has been duly authorized and executed in full compliance with the articles of incorporation and by-laws.

28. The contract, articles of incorporation, by-laws, and evidence of the procedure authorizing the contract should be prepared in duplicate as two separate documents, both of which should be executed under the seal of the corporation and forwarded through the project engineer to the director, who will transmit the same to

the Secretary of the Interior for execution, if found in proper form. After the Secretary of the Interior has signed them, one of the executed copies will be returned to the water users' association.

RELATIONS OF ASSOCIATION AND SECRETARY OF THE INTERIOR.

29. The execution of the contract between the water users' association and the Secretary of the Interior may be regarded as the completion of the organization of the water users' association. At that time it becomes, as it were, an integral part of the project and directly associated with the Government in carrying out the details thereof. It can, in many ways, assist the Government in the acquisition of land and the condemnation of rights and property which may be required in connection with projects and in the administration of the irrigation system. The execution of this contract formally fixes the relation of the association to the Government as the representative of the water users and as the medium of communication between the water users and the Government.

30. It is to be observed that this water users' association is not the specific corporation contemplated by the provisions of section 6 of the reclamation act, wherein it is provided that—

When the payments required by this act are made for the major portion of the lands irrigated from the waters of any of the works herein provided for, then the management and operation of such irrigation works shall pass to the owners of the lands irrigated thereby, to be maintained at their expense under such form of organization and under such rules and regulations as may be acceptable to the Secretary of the Interior.

31. Although the water users' association organized as herein provided can not be recognized by the Secretary of the Interior as the corporation contemplated by this section of the act, because the time fixed by the law for forming such organization has not arrived, yet it is an organization contemplated by sections 5 and 10 of the act, by which the Secretary of the Interior is authorized to make necessary rules and regulations for supplying water to lands to be irrigated.

32. The aim has been to organize a water users' association in such form as to be in accord with the form of organization that will be required under the provisions of section 6.

33. It is probable that these water users' associations can be readily adapted to the duties required of the organization contemplated by section 6 of the reclamation act, and that no fundamental changes will be necessary to meet the requirements which may be developed at the time fixed by the law for turning over the irrigation works to an organization of water users.

WATER-RIGHT APPLICATIONS.

34. The Secretary of the Interior has approved forms of water-right application. These forms provide that all applicants must be members of the association which has made contract with the Secretary of the Interior, before the application will be accepted. In accordance with the agreement in the stock subscription, the members of the association must promptly apply for water rights for the lands represented by their shares.

35. It is the duty of the water users' association to levy calls and assessments as may be found necessary for meeting the current expenses of the association and also for the collection of the amounts due on the shares of stock as may be required by the United States in connection with water-right applications and the public notices and orders issued under the law. The by-laws provide that such assessments are a lien upon the lands and shares of the stockholders and prescribe the method of enforcing the same, and the association is expected to take action, when necessary, in pursuance of the requirements.

F. H. NEWELL,

Director, United States Reclamation Service.

JULY, 1913.

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APPENDIX A.

FORM OF ARTICLES OF INCORPORATION AND BY-LAWS OF WATER USERS' ASSOCIATIONS.

The following form of articles of incorporation and by-laws for water users' associations established under the provisions of the act of Congress approved June 17, 1902 (32 Stat., 388), known as the reclamation act, has been prepared for the information of committees and persons interested in the formation of these associations. Such organizations have been found necessary when a considerable quantity of the land included in an irrigation project undertaken by the Government is in private ownership and many claims to the use of water are involved.

In some States the corporation laws are such as to make it desirable to include in the articles only certain provisions specified in the law, and this form has been prepared with that idea in mind, the essential provisions as to water rights, lien, etc., being included in the by-laws.

In the various features which are regulated by the State or Territorial laws relating to corporations, the articles must be prepared in the form usually adopted under the local statutes. But the provisions of the by-laws relating to water rights, and all other matters subject to the operation of the reclamation act, are substantially as required by the rulings of the Secretary of the Interior and must not be changed.

Articles of Incorporation of the
Water Users' Association.

Know all men by these articles of incorporation:

That we, the undersigned, have associated ourselves together under the laws of the State of as a body corporate.

ARTICLE I.

The name of the corporation shall be and is Water Users' Association.

ARTICLE II.

The names of the incorporators are:
.....
but others may become members of this association by subscribing for the stock of this association or by the transfer of stock to them in the regular course of the administration of the affairs of the association.

ARTICLE III.

The principal place of transacting the business of the association shall be at in the county of in the of

ARTICLE IV.

The purposes for which this association is organized and the general nature of the business to be transacted are:

To acquire, furnish, provide for, and distribute to the lands of the shareholders of the association an adequate supply of water for the irrigation thereof; to divert, store, develop, pump, carry, and distribute water for irrigation and all other beneficial uses, deriving the same from all available sources of supply; to construct, purchase, lease, condemn, or acquire in any manner whatsoever, and to own, use, sell, transfer, convey, control, maintain and operate any irrigation works, structures, telephone systems, electric or other power plants and transmission lines, and property both real and personal, of every kind whatsoever, necessary to or appropriate for the accomplishment of any of the purposes of this organization; to generate, create, transmit, use, and sell power and electrical energy; to act as trustee, agent, or attorney for the sale, disposal, and transfer of lands in order to facilitate the disposal of such lands, or any part thereof, to persons qualified to perfect rights to the use of water under the laws of the United States applicable thereto, and the rules and regulations established thereunder; to incur indebtedness, floating or bonded, and to secure the same by mortgage, deed of trust, pledge, or otherwise; to acquire, hold, and dispose of stock in other corporations, domestic or foreign; to have and exercise all the powers and to perform any and all acts necessary to or appropriate for the accomplishment of any one or more of the said purposes or anything incident thereto, or which shall at any time appear conducive or expedient for the protection or benefit of the association or its shareholders, and to that end enter into any contract, agreement, or other arrangement with the proper representative of the United States, or any individual, association of individuals, or corporation, for the accomplishment of any of the aforesaid purposes, by means of the construction, acquisition, or control of appropriate works or structures, or in any other manner whatsoever; to enter into any

agreement with the proper representatives of the United States with reference to the collection and payment of any and all charges made under the Federal statutes for the works providing water for the lands of its shareholders, and to comply with the provisions of any Federal statutes applicable to the work done by the United States in connection with such system of water supply, and any rules and regulations established thereunder.

ARTICLE V.

The capital stock of the association shall be \$....., divided into shares, of the par value of \$..... each, and said stock shall be assessable.

ARTICLE VI.

This corporation shall endure for the term of years.

ARTICLE VII.

SECTION 1. The exercise of the corporate powers of this association and the management of its affairs shall be vested in seven ¹ directors, elected to serve one year; and a president and vice president, each elected to serve two years. The president and vice president shall be ex officio members of the board of directors. The board shall annually elect a secretary and a treasurer.

SEC. 2. Until the election in 19.. and the qualification of those then elected, the following shall be the president, vice president, and directors of this association:

.....

ARTICLE VIII.

The individual property of the shareholders shall be exempt from liability for the corporate indebtedness of this association, except as provided herein or in the by-laws.

ARTICLE IX.

The corporate indebtedness shall not exceed two-thirds of the amount of the capital stock.

ARTICLE X.²

The amount of the capital stock of this corporation that has been actually subscribed, and the number of shares subscribed by each subscriber, and the par value thereof, are as follows:

NAME OF SUBSCRIBER.	NUMBER OF SHARES.	PAR VALUE.
.....
.....

In witness whereof we have hereunto set our hands and seals this day of, 19...

..... [SEAL].
 [SEAL].
 [SEAL].
 [SEAL].
 [SEAL].

(Acknowledgments to be in form required by State law.)

¹ If the president and vice president are elected at large, this makes a board of 9, which would be too large, except for a project containing at least 200,000 acres; for smaller projects the number of directors should be reduced; 3 directors, with the president and vice president, will make a satisfactory board for a project of 60,000 to 100,000 acres.

² The articles should contain such additional provisions as may be made necessary by State law.

By-laws of theWater Users' Association.

[Adopted].

ARTICLE I.

SECTION 1. The territory within which the lands to be irrigated under the control of this association are situated includes all such lands within counties, State of, as may be included in the reclamation project of the United States known as the..... project, as finally approved by the Secretary of the Interior.

SEC. 2. Only those who are owners of lands, or occupants of public lands having initiated a right to acquire the same, within the area described in section 1, or within such extensions thereof as may be duly made, shall be qualified to own the shares of this association. One share and no more shall be allotted for each acre of land, and fractional shares may be allotted to fractions of acres.

SEC. 3. Each share and the holder thereof shall be subject to the conditions of the form of stock subscription and contract hereinafter prescribed, and shall execute such form for the stock subscribed by him, and no subscriptions for stock shall be taken or stock issued unless the applicant has subscribed to said form of stock subscription and contract, which shall be signed, executed, and acknowledged by the applicant in the same manner as required for the execution and acknowledgment of deeds for the conveyance of real property. Said form of stock subscription and contract shall be as follows:

STOCK SUBSCRIPTION AND CONTRACT.

KNOW ALL MEN BY THESE PRESENTS, That I of, do hereby subscribe for and agree to take shares of the capital stock of the Water Users' Association, a corporation duly organized under the laws of the State of, and in conformity with the articles of incorporation and by-laws of said association and in consideration of the benefits to be received therefrom, I hereby covenant and agree as follows:

1. The said shares of stock and all rights and interests represented thereby or existing or accruing by reason thereof, or incident thereto, are to be appurtenant to the following-described real estate, that is to say:

..... unless said rights or stock shall become separated from the lands by the sale of the stock to enforce payment of assessments levied by the association, or by forfeiture of said rights by appropriate act of the association on account of failure to pay the charges levied by the Secretary of the Interior. If the said rights or stock shall become separated from the land by sale or forfeiture as herein described the undersigned expressly consents and agrees that such separation shall terminate all rights represented by said stock, or existing or accruing by reason thereof, or incident thereto: *Provided*, That the shares and rights may be transferred or reissued by the association as determined by it acting under direction of the Secretary of the Interior: *Provided further*, That the delivery of water to said lands shall not be construed as binding the United States or the association to continue the delivery of water thereto after such sale, default, or termination. Such sale or separation shall not, however, release in whole or in part, any lien against the said lands, nor shall such separation affect in any way the right of the association or other person designated by the Secretary of the Interior to collect from the said stockholder or from said lands unpaid portions of any assessments or installments of charges levied by the association or by the Secretary of the Interior until full payment has been made of all assessments

and installments of charges levied by the association and by the Secretary of the Interior.

2. The undersigned hereby agrees that the right to any water heretofore appropriated by him, or his predecessors in interest, for the irrigation of the lands above described or customarily used thereon, shall become appurtenant to such lands and be and remain incident to the ownership of the above shares appurtenant to such lands. There shall be further incident to the ownership of such shares, the right to have such water delivered to the owner thereof by the association for the irrigation of said lands as the association shall from time to time acquire or control means for that purpose; *Provided*, That the whole amount of water actually delivered to such lands from all sources shall not exceed the amount necessary for the proper cultivation thereof.

3. It is agreed and understood that the records of the association, as well as the certificate or other evidence of ownership of the shares of stock in the association, when issued, shall contain a description of the lands to be reclaimed as above described, and to which the aforesaid rights and shares shall be perpetually appurtenant; and all rights, whatever their source or whatever their manner of acquisition, to the use of water for said lands, shall hereafter be forever appurtenant thereto, unless separated therefrom in the manner set forth in paragraph 1 hereof, together with the said shares of stock and all rights and interests represented thereby, or existing or accruing by reason thereof, unless such rights shall become forfeited under the provisions of this contract, or of the by-laws of this association, or by operation of law, or by the voluntary abandonment thereof by deed, grant, or other instrument, or by nonuser for the term prescribed by law; but no such abandonment shall be for the benefit of any person designated by the undersigned or his successor in interest, directly or indirectly, or to his use, nor confer any right whatsoever upon the holder of any grant, release, waiver, or declaration of abandonment of any kind: *Provided, however*, That if for any reason it should at any time become impracticable to use for the benefit of said lands the water supply and the works constructed for the irrigation and reclamation thereof and to which lands the right to the use of the water supply is appurtenant, the said right may be severed from said land and simultaneously transferred and attached to other lands to which shares of stock in this association are or shall thereby be made appurtenant, if a request for leave to transfer, showing the necessity therefor, shall have first been allowed by a two-thirds vote of the board of directors at a regular meeting and approved by the Secretary of the Interior.

4. Every transfer of the title to said lands to which the said rights and shares are appurtenant, whether by grant or operation of law (except where the land may be subjected by grant, or involuntarily under any law, to an easement, the exercise of which does not interfere with the cultivation of the soil by the servient owner), shall operate, whether it be so expressed therein or not, as a transfer to the grantee or successor in title of all rights to the use of water for the irrigation of said lands, also all rights arising from, or incident to, the ownership of such shares as well as the shares themselves, and upon presentation to this association of proof of any such transfer of land the proper officer shall transfer such shares of stock upon its books to the successor in title to said lands.

5. Any transfer or attempted transfer of any of the above shares of this association made or suffered by the owner thereof, unless simultaneously a transfer of the land to which they are appurtenant is made or suffered to or in favor of the same party, shall be of no force or effect for any purpose, and shall confer no rights of any kind whatsoever on the person or persons to whom such transfer may have been attempted to be made.

6. The undersigned or his transferee agrees to pay to the United States a proportional share of the estimated cost of reclaiming the lands specified above, to be fixed by the Secretary of the Interior, as well as the future operation and maintenance of said reclamation work, and to make prompt application to the proper authorities of the United States for a water right for the land represented by his shares, and duly pro-

ceed to the perfection thereof, in full compliance with the law applicable thereto and the rules and regulations established in pursuance thereof, as soon as official announcement shall be made that such applications are to be filed.

7. The proportionate part of the estimated cost of building, operation, and maintenance and betterment of the works for the reclamation of the said lands as fixed and apportioned thereto by the Secretary of the Interior, and each installment thereof shall be a lien on said premises and shares of stock and all rights and interests represented thereby, or existing or accruing by reason thereof, or incident thereto; and upon the neglect or failure of the undersigned, his heirs, executors, administrators, successors, or assigns to pay said cost and charges or any part or installment thereof when due, said lien or liens or any one thereof may be foreclosed by the association in the manner provided by law for the foreclosure of mortgages, or if the association should dissolve or cease to exist or operate, or for any reason should neglect or fail to proceed promptly to collect said cost or charges or any part thereof or to foreclose said liens, then said liens or any of them may be foreclosed in like manner by or under the authority of the Secretary of the Interior by any person, firm, or corporation designated for that purpose by the Secretary of the Interior and the proceeds paid to the United States: *Provided*, That the liens provided for herein may be foreclosed against said lands and the stock and rights appurtenant thereto together and at the same time or against either the one or the other separately, but the foreclosure against one shall not release the lien or right of foreclosure against the other or any other lien, or any lien for any unpaid portion of any installment or any other installment against said real estate, rights, or stock until all the herein-named costs and charges have been paid; and if suit is brought to foreclose any of said liens, the undersigned agrees to pay a reasonable attorney's fee for the foreclosure of said liens in addition to the costs and charges announced by the Secretary of the Interior.

8. The execution and acceptance of this contract shall create all the liens herein above described to take immediate effect to secure the obligations to be determined and announced by the Secretary of the Interior to the full extent that such liens may be allowed or authorized under the provisions of law.

9. In order to secure the performance of all the agreements and the payment of all the charges and costs hereinabove named or described we do for ourselves, our heirs, administrators, successors, and assigns, grant, bargain, sell, convey, and confirm unto the said association, its successors or assigns, or such other person, firm, or corporation as may under the terms of this agreement be designated by the Secretary of the Interior in trust for the United States all our right, title, and interest in and to the above-described real property: *Provided*, That when said shares of stock have been fully paid up as herein provided and any costs and charges in excess of the par value of the said stock, if any such there be, announced by the Secretary of the Interior shall have been paid then the grant and conveyance herein-above set out shall be null and void and of no effect.

10. The undersigned shall, as prescribed in this contract, make application to the proper representative of the United States for a water right, at a rate not to exceed 1 acre for each share. Upon proper proof to the association that such application has been accepted and that he has complied with all the requirements in relation thereto, such subscriber shall be deemed to have paid on his stock the amount then paid to or for the use of the United States for such right.

11. The undersigned or his successor further agrees that if he shall fail to make prompt application for such water right for the land above described, or in case of his failure to comply promptly and in good faith with the law and regulations applicable thereto, he shall nevertheless be liable to the United States for the water-right charges in such sums of money as may be levied by the Secretary of the Interior and the association upon such land, and until such charges are fully paid they shall be a lien upon such lands and shares, and the said lien shall be enforced by foreclosure and sale of said lands and shares of stock as provided in section 12 of this contract.

12. Calls and assessments shall be made and levied from time to time by the board of directors for the collection of the amounts due on the shares of the stock of the association in pursuance of the requirements of the United States in connection with such applications: *Provided*, That assessments may be levied specially against such shares of stock as are appurtenant to lands for which the charges levied by the Secretary of the Interior are in excess of the par value of the stock. When all payments required for such rights shall have been made, and when proper evidence of the perfection of such water right has been issued, his stock shall be deemed and held to have been fully paid up, and until fully paid he shall be liable therefor; and the payments due thereon in pursuance of assessments and calls duly made by the board of directors shall be a lien upon such lands and shares, and the said lien shall be enforced by the association by foreclosure and sale of said stock and lands, or so much thereof as may be necessary, in the manner provided by law for the foreclosure of mortgages, and the purchaser at such sale shall be entitled to the benefit of all payments on the water right appurtenant to the land purchased, and shall take said lands subject to the obligations and conditions herein provided.

13. Assessments may be made and levied from time to time by the board of directors as required for the operation, maintenance, repair, renewal, replacement, improvement, enlargement, or extension of the works owned, controlled, or to be maintained by the association, and for the construction, acquisition, or control of any works, property, or rights required in connection with the business of the association and for the fulfillment of any obligation undertaken by it, or for the carrying out of any of its purposes or meeting any of its expenses.

14. It is understood and agreed that expenditures for purposes that are of benefit to a part only of the shareholders may be especially assessed against such shareholders in proportion to such benefits.

15. Assessments shall become from time to time, as they are made and levied, a lien on the said lands and shares of stock of the undersigned and his transferees, and all rights and interests represented by said shares, and until they are paid or otherwise discharged, shall be and remain a lien thereon. The manner of enforcing said lien shall be by foreclosure and sale of the stock and lands as herein provided for payments on capital stock.

16. It is expressly understood that corporate business may be begun and that the subscriber shall be liable for any assessments or calls made or levied after¹ shares of the capital stock shall have been subscribed.

17. The undersigned furthermore release and discharge the United States from all damage or claim on account of the construction, operation, or maintenance of the canals and other irrigation works built and operated in connection with the project, including consequential damages, except that reasonable compensation will be made for all improvements actually damaged or destroyed by such construction. The undersigned also release and hereby grant to the United States the right to take, appropriate, and use all seepage, waste, and spring waters arising on the lands herein described not heretofore appropriated.

18. The undersigned furthermore grant to the association or to the United States, as the case may be, over the lands described herein, as may be required in connection with the works constructed or controlled by the association or by the United States for the use and benefit of the stockholders, necessary right of way for the construction, operation, and maintenance of canals, tunnels, and other water conduits, telephone and electric transmission lines, drains, dikes, and other works for irrigation, drainage, or reclamation.

19. It is further understood that no stockholder shall be entitled to more than 160 votes, and the benefit of any laws to the contrary is hereby expressly waived.

¹ Insert number of shares which it is known will be readily subscribed or as may be required by State law.

20. The undersigned furthermore agree to be bound by all the terms, conditions, limitations, and provisions contained in the articles of incorporation and by-laws of said water users' association, including all amendments thereto now existing or which may hereafter be duly adopted.

In witness whereof we have hereunto set our hands and seals this day of, 19 ..

Signed in the presence of—

[Signature of wife.]

Witnesses.

State of } ss.¹
County of

On this day of, in the year nineteen hundred and, before me,, a notary public, in and for the said county, personally appeared, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same; and on this day of, 19 .., before me, the officer above described, personally appeared, known to me to be the person whose name is subscribed to the within instrument, described as a married woman, and upon an examination without the hearing of her husband I made her acquainted with the contents of the instrument, and thereupon she acknowledged to me that she executed the same, and that she does not wish to retract such execution.

In witness whereof I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

[NOTARIAL SEAL.]

Notary Public.

My commission expires

This subscription and contract was accepted and approved by the Water Users Association at a meeting of the board of directors held on the day of, 19...²

By WATER USERS' ASSOCIATION,
....., President.
[CORPORATE SEAL.]

Attest:

Secretary.

¹ Acknowledgment should be made in the form prescribed by State law, and must be sufficient to release any homestead exemptions, dower or other rights.

² The following brief should be placed on the last page of the instrument, using the middle fold of the paper, viz:

No.

SUBSCRIPTION AND CONTRACT

of (name), of (address), for shares of the capital stock of the Water Users' Association, covering lands described as follows:

Dated; accepted

State of
County of, ss:

This instrument was filed for record in my office at o'clock M., 19.., and has been duly recorded in book, page ...

Recorder.

And such stock subscription and contract shall become binding upon the association only when approved and executed by the association.

SEC. 4. Any shares of stock which may be forfeited under the provisions of the stock subscription and contract, as set forth in section 3 of Article I of the by-laws, shall at once be canceled, and shall not, under any circumstances, be renewed, revived, or reissued. Other stock in lieu thereof up to the limit of the total number of shares authorized by the articles of incorporation may be subscribed for and issued, subject to all the conditions of these by-laws and the articles of incorporation and to the approval of the Secretary of the Interior.

SEC. 5. The ownership of each share of stock of this association shall carry as incident thereto a right to have water delivered to such shareholder by the association for the irrigation of the lands to which such share is appurtenant, upon making the required payments and complying with the by-laws of the association and all reasonable rules and regulations thereunder.

SEC. 6. The amount of water to be delivered to such owner during any irrigation season shall be that proportionate part of all the water available for distribution by the association during that season as the number of shares owned by him shall bear to the whole number of valid and subsisting shares then outstanding, such water to be delivered to and upon said lands at such times during that season as may be needed for the proper irrigation thereof.

SEC. 7. The records of the association, as well as the certificate or other evidence of ownership of the shares of stock in the association, when issued, shall contain a description of the lands to be reclaimed as above described, and to which the aforesaid rights or whatever their manner of acquisition, to the use of water for the irrigation of said and shares shall be perpetually appurtenant; and all rights, whatever their source lands, shall hereafter be forever inseparably appurtenant thereto, unless separated therefrom in the manner set forth in paragraph 1 hereof, together with the said shares of stock and all rights and interests represented thereby, or existing or accruing by reason thereof, unless such rights shall become forfeited under the provisions of this contract, or of the by-laws of this association, or by operation of law, or by the voluntary abandonment thereof by deed, grant, or other instrument, or by non-user for the term prescribed by law; but no such abandonment shall be for the benefit of any person designated by the undersigned or his successor in interest, directly or indirectly, or to his use, nor confer any right whatsoever upon the holder of any grant, release, waiver, or declaration of abandonment of any kind: *Provided, however,* That if for any reason it should at any time become impracticable to use for the benefit of said lands the water supply and the works constructed for the irrigation and reclamation thereof and to which lands the right to the use of the water supply is appurtenant, the said right may be severed from said land and simultaneously transferred and attached to other lands to which shares of stock in this association are or shall thereby be made appurtenant, if a request for leave to transfer, showing the necessity therefor, shall have first been allowed by a two-thirds vote of the board of directors at a regular meeting and approved by the Secretary of the Interior.

All the provisions and agreements of this section shall be set forth in the aforesaid certificate or other evidence of the ownership of shares of stock in the association, together with any other provisions and agreements made necessary by the articles of incorporation, or by-laws, and such certificate or other instrument shall be signed, executed, and acknowledged by the president and secretary of the association, and the board of directors shall pass by-laws prescribing the form of such certificate or other instrument, not inconsistent with the articles of incorporation or these by-laws.

SEC. 8. If it should be determined by the United States that the amount of water available from the entire irrigation system as owned or controlled by it and by the association shall be insufficient to properly irrigate one acre of land for each share of the capital stock, then no shares in excess thereof shall be issued, and the number of

shares shall be so reduced, by appropriate amendment of the articles of incorporation, as not to exceed the number of acres determined by the United States as irrigable from the entire available supply of water.

SEC. 9. If, when such determination is made, the number of shares subscribed shall be in excess of the number of acres so determined, an allotment of shares shall be made to the subscribers equal to the number of acres irrigable, giving preference to cultivated land. The surplus of shares so subscribed shall thereupon be canceled and shall not be reissued. By-laws shall be adopted to govern such allotment.

SEC. 10. If the number of acres of irrigable land or the cost of the works, or both, as determined by the United States, shall exceed the number of shares of the capital stock authorized, appropriate amendment of the articles of incorporation as to the number of shares, the par value thereof, and the capital stock shall be made in compliance with the laws applicable thereto.

SEC. 11. Revenues necessary for the accomplishment of the purposes of this association shall be raised by call or assessment, from time to time as required, upon and against the shareholders and by the enforcement of liens provided for by contract.

SEC. 12. The board of directors shall have power to make and enforce necessary by-laws for fixing and enforcing the lien on the lands of the shareholders, and for the making, levying, collecting, and enforcing of all assessments.

SEC. 13. Nothing in the articles of incorporation and by-laws or in the fact of becoming a member of this association shall be construed as affecting, or intended to affect or in any way interfere with the vested rights of any person to the prior use or delivery of any waters.

SEC. 14. The articles of incorporation or by-laws shall not be so amended as to in any wise conflict with any Federal statutes or the rules and regulations established thereunder for the administration of water from any reservoir or other works acquired, constructed, or controlled by the United States, and which may be used for supplying water to the lands of the shareholders of this association.

SEC. 15. No provision of any by-law embraced in Article I of these by-laws shall be amended or modified except with the approval of the Secretary of the Interior.

ARTICLE II.

SEC. 1.¹ Assessments for the cost of operation, maintenance, and repair of the works owned, controlled, or to be maintained by the association shall be assessed against all the shareholders in proportion to the number of shares held by them respectively.

SEC. 2. Assessments for the construction, acquisition, or control of any works, property, or rights by the association, or for renewing, replacing, or in any way improving, adding to, enlarging, or increasing any of its works, property, or rights, or for the fulfillment of any obligation undertaken by it, or for the carrying out of any of its powers may be assessed against all the shareholders in proportion to the number of shares held by them, respectively.

SEC. 3. Assessments for expenditure for purposes that are of benefit to a part only of the shareholders may² be specially assessed against such shareholders in proportion

¹ For pumping projects substitute the following as section 1:

SECTION 1. Charges for the use and delivery of water shall be made as follows: Charges for the cost of the maintenance and preservation for service of the works shall be made against all shareholders in proportion to the number of shares held by them respectively, this charge being the same for each share; charges for the cost of the operation and repair incident to the use of the works shall be made against the shareholders in proportion to the quantity of water actually furnished by the association to each shareholder.

² For pumping projects strike out "may" and insert "in addition to the charges provided in section 1 shall."

to such benefits, but no expenditure to be provided for or covered by such special assessment shall be made or obligation to expend the same incurred except upon the petition of the holders of at least two-thirds of the shares to be so specially benefited.

SEC. 4. Assessments and calls on stock subscriptions shall become from time to time, as they are made and levied, a lien on the lands of the shareholders and upon the shares of stock appurtenant to said lands and upon all rights and interests represented by such shares, and until they are paid or otherwise discharged shall be and remain a lien thereon. The manner of fixing the lien and enforcing the same shall be as prescribed in the stock subscription and contract in Article I of these by-laws.

SEC. 5. Except for operation, maintenance, and repair, no work shall be undertaken, purchase made, nor indebtedness incurred or be authorized during any one year whereof the cost shall exceed fifty thousand dollars (\$50,000)¹ until it shall have first been ratified by at least two-thirds of the shares represented by the votes cast at an election called and held for such purpose under such by-laws as the board of directors may prescribe.

SEC. 6. All assessments for current expenses of the association paid on shares canceled at the instance of the association for the reason that the lands to which the said shares are appurtenant are nonirrigable from the works of the proposed project to be constructed by the United States, or for the reason that the said lands shall have been relinquished to the United States by the entrymen thereof, shall be refunded to the holder of such shares of stock at the time of such cancellation.

ARTICLE III.

SECTION 1. Each director and the president and vice president shall, at the time of his election, be the owner of lands situated within the irrigation district described in the by-laws, to which shares of stock of this association are appurtenant, and shall also be a resident of the district.

SEC. 2. If a person elected as a director or as president or vice president should, at any time during his term of office, cease to have any of the qualifications prescribed, such office shall thereupon become vacant. Whenever any vacancy shall occur from that cause, or by reason of death or resignation or otherwise, except by removal and election of his successor as elsewhere provided for in these by-laws, the vacancy shall be filled by the board of directors. It shall be competent at any time for two-thirds of the shareholders to expel any director from office, and to elect another to succeed him at any meeting, notice whereof shall be given as provided in Article IV of these by-laws.

SEC. 3. The annual election of directors shall be held on the in each year in the manner provided in the by-laws. The president and vice president shall be elected at the same time in alternate years. The terms of office shall in each case commence on following their election.

SEC. 4. The board of directors shall have power to enact, adopt, and provide for the enforcement of by-laws, not inconsistent with the articles of incorporation, and the by-laws in Articles I to XI, inclusive, for the management of the business and the conduct of the affairs of the association, for the estimating, levying, and collecting of all assessments, for the distribution, use, and application of water under its control, and for regulation of voters and method of holding elections, subject at all times to and not inconsistent with the Federal statutes applicable thereto and the rules and regulations established thereunder.

SEC. 5. Regular and special meetings of the board of directors shall be called and held in such manner and at such times and places as may be prescribed by the by-laws.

¹ This amount may be changed to conform to the conditions of the particular project, and should not be less than 5 per cent of the capital stock, but for the ordinary project need not be more than \$50,000.

SEC. 6. Special meetings of the board of directors may be called by the president or by any four of the members of the board. Such call shall be in writing and signed by either the president or any four of the members, and shall state the time of such proposed meeting, and the nature of the business to be transacted thereat. Such written call shall be filed with the secretary, who shall thereupon immediately, and at least five days before the time fixed for such meeting, mail, postpaid, to the president and each member of the board a copy of such call, and shall publish the same in some newspaper published and of general circulation in the territory described in Article I of these by-laws on three ¹ consecutive days before and exclusive of the day fixed for such special meeting. If the secretary fail or refuse to publish such call or to mail copies thereof as above provided, then, either the president, if he issued the call, or any one of the members who issued the same, may make publication and mail copies of the call with like effect as if done by the secretary. Special meetings of the board of directors shall be held at the office of the association.

SEC. 7. The board of directors shall have the power, in the name of the corporation, to prosecute, defend, and compromise all lawsuits; to make all contracts, in the name of the association, necessary and proper for the conduct of the affairs and the carrying on of the business of the association, subject to all limitations and regulations prescribed by the articles or the by-laws.

SEC. 8. The board shall have the power to estimate, make, and levy all assessments against the shareholders of this association to the extent and in the manner authorized by the articles of incorporation and the by-laws.

SEC. 9. The board shall have the power to make, publish, and enforce rules and regulations concerning the distribution, use, and application of the water under its control, subject at all times to and not inconsistent with the articles of incorporation, or with the by-laws, or with Federal statutes applicable thereto and the rules and regulations established thereunder.

SEC. 10. The board shall keep, or cause to be kept, a record of its transactions, which shall at all times remain in the office of the association and shall, during office hours, be open to the inspection of the shareholders or their properly authorized agents.

SEC. 11. The board shall hear and determine complaints of shareholders of non-service or of improper service or distribution of water, or of improper performance of duty by any employee of the association relative to the distribution of water.

SEC. 12. No by-laws shall be passed or enforced which shall interfere with or affect any existing vested right of any member of this association to the use of water for irrigation.

SEC. 13. All by-laws shall be of general application so far as general laws can be made to apply.

SEC. 14. The members of the board of directors shall receive such compensation as may be prescribed by the by-laws.

ARTICLE IV.

SECTION 1. The annual meeting of the shareholders of the association shall be held at, at a place to be designated by the directors and stated in the notice hereinafter provided for, on the first of, at the hour of

SEC. 2. Special meetings of the shareholders of this association may be called at any time upon the order of the board of directors, entered upon the minutes of the board, showing the purpose or purposes for which such meeting is called.

SEC. 3. Notice of such annual or special meeting shall be mailed by the secretary to each member of the association, at his last known place of residence, not less than

¹If there be no daily newspaper available such notice should be published at least once.

20 days before the date of holding such meeting, and the secretary shall publish the same in at least two newspapers of general circulation within the territory described in Article I of these by-laws, at least once each week for two consecutive weeks, and the last publication shall not be more than 7 days before the date of holding such meeting.

ARTICLE V.

SECTION 1. At all elections the electors shall be at the time of election the owner of at least one share of capital stock of this association and shall have been the owner thereof, as shown by the books of the association, for at least 20 days before such election.

SEC. 2. The duly appointed, qualified, and acting guardian of the estate, or of the person and estate, of any minor, insane, or incompetent person owning one or more shares of the capital stock of this association may, in person, in his representative capacity, vote the share or shares of his ward.

SEC. 3. At all elections each shareholder shall be entitled to one vote for each share of stock owned by him, not, however, to exceed in the aggregate 160 votes.

SEC. 4. The votes shall be by written or printed ballot and be voted only by the electors at the polls in person.¹

SEC. 5. At all elections the person receiving the highest number of votes for any office shall be deemed elected to such office.

ARTICLE VI.

SECTION 1. The president, vice president, treasurer, and secretary shall perform such duties as are prescribed by the articles of incorporation and by the by-laws, so far as such by-laws shall not be inconsistent with law or with the articles of incorporation, and shall receive such compensation as may be fixed by the by-laws, which compensation shall neither be increased nor diminished during their respective terms of office.

SEC. 2. In case of the absence, illness, or inability of the president to act from any cause, or in case of a vacancy in that office, the vice president shall act in the place and stead of the president.

SEC. 3. The president shall be the chief executive officer of the association, and shall have general supervision over all other officers of the association in the performance of their duties as such, and of the conduct of the business and affairs of the association. He shall preside at all meetings of the board of directors and shall perform such other duties as may be devolved upon him by the by-laws.

SEC. 4. All certificates or other evidence of the ownership of shares of stock in the association issued by the association shall be signed by the president and secretary of the association and shall have the seal of the association affixed.

SEC. 5. All the contracts and instruments in writing executed for or in behalf of the association shall be executed in the name of the association by the president and secretary and shall have the seal of the association affixed.

SEC. 6. The treasurer shall receive and be the custodian of all moneys and other funds of the association. No moneys shall be paid out by the treasurer unless upon warrants drawn on him by the president and secretary, except as provided in Article VIII, section 8. No warrants shall be drawn on the treasurer by the president and secretary except upon the order of the board of directors, recorded in the minutes of the board, and in a warrant record to be kept by the secretary.

SEC. 7. The treasurer shall keep, in books belonging to the association, a full, complete, and accurate account of all moneys of the association received and dis-

¹ If the local law provides for voting by proxy, a provision may be added to this by-law for the acceptance of proxies.

bursed by him, and shall present a report and account thereof at every regular meeting of the board, and shall, at the expiration of each quarter, prepare and publish, in such manner as the by-laws may prescribe, a quarterly statement to shareholders, showing all such receipts and disbursements during the last preceding quarter; and the treasurer shall perform such other duties as may be devolved upon him by the by-laws.

SEC. 8. The secretary shall act as the clerk of the board of directors and keep a record of all their proceedings. Immediately upon the adoption of by-laws he shall record the same in a book of by-laws to be kept by him in his office, and such book shall be open to the inspection of any member of the association, or his properly authorized agent, at all times during business hours; and the secretary shall perform such other duties as may be devolved upon him by the by-laws.

SEC. 9. The treasurer and secretary shall give such bond as may be prescribed by the by-laws: *Provided*, That neither the president, vice president, nor any member of the board of directors, nor the secretary shall be accepted as a surety on the bond of the treasurer.

ARTICLE VII.

SECTION 1. The board of directors may create such other offices as may be necessary for the carrying on of the business and affairs of this association and prescribe the manner of appointment, powers, duties, terms of office, eligibility, and compensation thereof by by-laws not inconsistent with the articles of incorporation.

SEC. 2. The board of directors may remove from office the treasurer, secretary, or the incumbent of any office created by the board, for incompetence, neglect of duty, misappropriation of funds of the association, or for violation of any of the provisions of the articles of incorporation or of any by-law. The board shall adopt by-laws to govern the procedure for such removal.

ARTICLE VIII.

SECTION 1. The lands under each separate distributing-canal system within the territory described in Article I of these by-laws shall be formed into a canal division on the petition of the owners of two-thirds of the shares of the capital stock of this association appurtenant to the lands in such proposed canal division, and the boundaries of such division shall be fixed by the board of directors. On the petition of the holders of a majority of the shares in this association owning the lands affected thereby, or without such petition whenever in the judgment of the board it will be beneficial, the board may change or modify the boundaries of any canal division.

SEC. 2. A board of water commissioners to consist of three members shall be appointed annually for each canal division by the board of directors. Such appointment shall be made in the month of in each year, and no one shall be eligible for such office unless he be a resident within the canal division for which he may be appointed, and a qualified elector as provided in these by-laws. The term of office of members of the boards of water commissioners shall be from the time of their appointment until the in the following year, and until their successors shall have been appointed and have qualified, and they may be removed for cause by the board of directors, who may fill any vacancy in any board of water commissioners for the unexpired term.

SEC. 3. If a petition signed by shareholders in this association constituting a majority of the qualified electors residing in any canal division shall be presented to the board of directors at their first regular meeting after, naming not more than three persons eligible for appointment as water commissioners in said canal division

and asking for their appointment to such office, the person or persons so named shall be appointed as such water commissioners.

SEC. 4. The board of water commissioners of each canal division shall control and manage the local affairs of the canal system therein and the distribution of water therefrom, subject to the provisions of the articles of incorporation and to the by-laws and rules and regulations established by the board of directors or by the proper representative of the United States.

SEC. 5. The board of water commissioners in each canal division may appoint a secretary of the board of water commissioners and employ a division superintendent, removable at their pleasure.

SEC. 6. The board of water commissioners may at any time call a meeting of all the landowners in their canal division who are shareholders in this association to consider and determine whether an assessment or assessments for their special benefit should be levied on the shareholders in said division. At least ten days' notice of such meeting shall be given by the secretary of said board by posting a notice thereof in three public places in said canal division and mailing a copy of such notice, postage prepaid, to each shareholder residing in said canal division.

SEC. 7. If a majority of such shareholders who are the holders of a majority of the shares of this association appurtenant to lands in said canal division shall at said meeting approve the levy of such special assessment or assessments and sign a petition to the board of directors that the same be levied on the shareholders in this association owning lands in said canal division, and specifying the amount of said proposed assessment and the purpose for which it shall be levied, and said board of water commissioners shall recommend it in writing, indorsed on said petition, it shall be the duty of the board of directors to levy said special assessment on all the shareholders in this association owning lands in said canal division.

SEC. 8. When so levied the said assessment may, when collected, be disbursed by the board of water commissioners of said canal division for the purpose specified in its levy, and shall be paid out by the treasurer on warrants drawn on him by the said board of water commissioners: *Provided, however,* That nothing in this article shall limit or abridge the right of the association to make, levy, and collect assessments as elsewhere in the by-laws provided.

ARTICLE IX.

This association may accept and avail itself of, or subject itself to, the provisions of any law or laws enacted or that may be enacted by Congress or the legislative body of the State which may be applicable to corporations organized for like purposes as this association. Such acceptance or subjection shall be valid when ratified by at least two-thirds of the shares represented by the votes cast at any annual election or at any special election called for the ratification thereof. Notice of such election shall be given as prescribed in Article XI, stating the purpose thereof.

ARTICLE X.

The seal of this association shall be a figure of two concentric circles, the outer being 2 inches and the inner 1½ inches in diameter. In the space between the two shall be the words "..... Water Users' Association," and the center space shall bear an unrolled scroll with the words and figures thereon, "Incorporated 19... .."¹

¹ Insert name of State.

ARTICLE XI.

The articles of incorporation and the by-laws in Articles I to XI, inclusive, can be amended only by the shareholders, at a regular annual election or at a special election called for that purpose, by a majority of the number of votes cast. No proposed amendment shall be submitted to the shareholders until it shall have first received the approval of two-thirds of the board of directors at a regular or duly called session thereof, nor shall any such proposed amendment be so submitted until it shall have been published in full at least once in each week for four consecutive weeks in at least three¹ newspapers of general circulation within the territory described in Article I, and the last publication shall be not more than seven days before any such election.

¹ The number of newspapers will depend upon the local conditions.

APPENDIX B.

FORM OF CONTRACT BETWEEN ASSOCIATIONS OF WATER USERS AND THE SECRETARY OF THE INTERIOR.

These articles of agreement, made and entered into this day of, 19.., by and between the United States of America, acting in this behalf by, Secretary of the Interior, party of the first part, and the Water Users' Association, a corporation duly organized and existing under the laws of the of, party of the second part, their successors and assigns, witnesseth:

That whereas the Water Users' Association is a corporation organized and existing under the laws of the of for the purposes mentioned in its articles of incorporation and by-laws, copies of which are appended to this agreement and are, for every purpose of the interpretation, construction, and consideration of this agreement and of the rights of the parties hereunder, to be deemed, held, read, and considered as if fully written out or printed herein, and deemed a part hereof; and

Whereas the lands embraced within the area proposed to be irrigated as described in said articles of incorporation or by-laws are naturally desert and arid and incapable of proper cultivation without irrigation, and will to a greater or less extent remain unreclaimed, unfit for habitation, and uncultivated, in which condition they, or a great part thereof, now are, unless the waters of the River in and tributaries be impounded and the flow thereof otherwise regulated and controlled; and

Whereas the Secretary of the Interior contemplates the construction of certain irrigation works under the provisions of an act of Congress entitled "An act appropriating the receipts from the sale and disposal of public lands in certain States and Territories to the construction of irrigation works for the reclamation of arid lands," approved June 17, 1902, and acts amendatory thereof and supplemental thereto, for the irrigation and reclamation of the lands described in the said articles or by-laws; and

Whereas the shareholders of said association are, and under the provisions of section 2 of Article I of its by-laws must be, owners and occupants of lands in said area, and in some cases are appropriators of water for the irrigation thereof, and in addition thereto such shareholders and their successors or assigns must initiate and perfect rights to the use of water from the said proposed irrigation works, which have been or are hereafter to be constructed by the Secretary of the Interior as soon as such rights may be initiated, and thereafter complete the acquisition thereof in the manner and upon the terms and conditions to be prescribed therefor by the Secretary of the Interior, which rights shall be, and thereafter continue to be, forever appurtenant to designated lands owned by such shareholders, unless separated therefrom in the manner provided for by the stock subscription; and

Whereas the relative priority and the extent of the individual appropriations of such water heretofore made by said shareholders for the lands described in said articles or by-laws, and which are now vested rights, have not in all cases been ascertained or determined, but said shareholders have agreed among themselves, by the terms and provisions of said articles of incorporation and by-laws, upon the rules and

principles by and upon which the relative priority and the extent of their several appropriations and vested rights to the use of such waters shall be determined:

Now, therefore, it is agreed and understood by and between the parties hereto—

1. That in consideration of the construction of said irrigation works by the Secretary of the Interior the said association will in all things fully cooperate with the United States in carrying on such construction work and in operating and maintaining such works, and will take prompt action to secure the determination by the courts of the relative rights of its shareholders to the use of water for said lands, and that in the determination of such rights and of their respective rights to the use of water acquired under said acts of Congress the rules and principles set out in said articles of incorporation and by-laws, for such determination, shall be deemed the established rules and principles for that purpose.

2. That only those who are or who may become members of said association, under the provisions of its articles of incorporation and by-laws, shall be accepted as applicants for rights to the use of water available by means of said proposed irrigation works.

3. That the aggregate amount of such rights to be issued shall, in no event, exceed the number of acres of land capable of irrigation by the total amount of water available for the purpose, being (1) the amount now appropriated by the shareholders of said association, and (2) the amount to be delivered from all sources in excess of the water now appropriated; and that the Secretary of the Interior shall determine the number of acres so capable of such irrigation as aforesaid, his determination to be made upon due and expert consideration of all available data, and to be based upon and measured and limited by the beneficial use of water.

4. That the payments for the water rights (heretofore or hereafter) issued to the shareholders of said association under the provisions of said act of Congress shall be payable in such number of years as may be fixed by the Secretary of the Interior; the first installment thereof shall be payable when the water is first delivered from said works or within a reasonable time thereafter, as determined by the Secretary of the Interior, and after due notice thereof by the Secretary to the association.

5. That the said Water Users' Association hereby guarantees the payment to the United States for the cost of the irrigation works, as apportioned by the Secretary of the Interior against the lands of its shareholders, and also of the cost of operation and maintenance and betterments as assessed from year to year by the Secretary of the Interior, and will promptly levy calls or assessments therefor and collect or require prompt payment thereof in such manner as the Secretary of the Interior may direct; that it will promptly pay the sums collected by it to the proper officer of the United States; that it will promptly employ the means provided and authorized by the said articles of incorporation and by-laws for the enforcement of such collections, and will not change, alter, or amend its articles of incorporation or by-laws in any manner whereby such means of collection, or the lien given to it by the shareholders to secure the payment thereof, or of any assessments contemplated or authorized thereby, shall be impaired, diminished, or rendered less effective, without the consent of the Secretary of the Interior. The association does not, however, guarantee the collection of charges levied against lands which have been entered under Federal laws, but the title to which has not passed out of the United States.

6. That the United States shall in no manner be responsible for the sums collected by said association until they have been paid into the hands of the proper officer of the United States, as provided by the law, and in accordance with such regulations as may be prescribed by the Secretary of the Interior.

7. That for the purpose of enforcing said collections, the association will adopt and enforce proper by-laws, subject to the approval of the Secretary of the Interior, and not change them so as to in anywise impair their efficiency for said purpose, and

will otherwise do any and all things it is authorized and empowered to do in the premises.

8. That the association will adopt and enforce such rules and regulations as it is authorized by its articles of incorporation and by-laws to adopt and enforce, concerning the use of water by its shareholders and concerning the administration of the affairs of the association, to effectually carry out and promote the purposes of its organization within the provisions of said articles of incorporation and by-laws, which rules and regulations shall be subject to the approval of the Secretary of the Interior, and that if the association fail to make and adopt such rules and regulations, then the Secretary of the Interior may prescribe them; but in such event the Secretary of the Interior shall impose no rule or regulation interfering with any vested right of the shareholders of the association, as defined or modified by said articles of incorporation and by-laws.

9. That persons who are not now members of the association, but who may be the owners or occupants of land to be irrigated, as described in its articles of incorporation or by-laws, or of added lands as therein provided for and to whom rights to the use of water from the proposed irrigation works may be issued by the United States, may, at the designation of the Secretary of the Interior, become members of the association upon subscribing to the stock thereof and upon compliance with the other conditions prescribed for such membership.

10. That in all the relations between the United States and this association and the members of the association the rights of the members of the association to the use of water where the same have vested are to be defined, determined, and enjoyed in accordance with the provisions of the said act of Congress and of other acts of Congress on the subject of the acquisition and enjoyment of the rights to use water; and also by the laws of, where not inconsistent therewith, modified, if modified at all, by the provisions of the articles of incorporation and by-laws of said association.

11. That nothing contained in this agreement, or to be implied from the fact of its execution, shall be construed, held, or deemed to be an approval by the Secretary of the Interior, nor an adoption by him of the articles of incorporation or by-laws of said association in all their details as the form of organization of water users contemplated and authorized by section 6 of the said act of Congress of June 17, 1902; but such approval and adoption is expressly reserved until the conditions prescribed in said act authorizing such approval and adoption shall have arisen; and that when the Secretary of the Interior shall make, approve, and promulgate rules and regulations for the administration of the water to be supplied from said proposed irrigation works, such rules and regulations and such modifications thereof as the Secretary may from time to time approve and promulgate, shall be deemed and held to be obligatory upon this association as fully and completely, and to every intent and purpose as if they were now made, approved, promulgated, and written out in full in this agreement, and the same are to be so read and construed.

In witness whereof the undersigned have hereunto subscribed their names and affixed their seals the day and year first herein written.

[DEPARTMENTAL SEAL.]

.....
Secretary of the Interior,
For and on behalf of the United States of America,
 PARTY OF THE FIRST PART.

[CORPORATE SEAL.]

.....
 By
 PARTY OF THE SECOND PART.

Attest:

.....
Secretary.

APPENDIX C.

FORM OF STOCK CERTIFICATE.

No. Contract No. Number of shares,

..... WATER USERS' ASSOCIATION.

A corporation duly organized under the laws of

State of, county of

This certifies that has subscribed for shares of the capital stock of the Water Users' Association. Said shares of stock and all rights thereunder are to be perpetually appurtenant to the following described lands, to wit:

.....

.....

Section, township, range, in County in the State of

And all rights, whatever their source or whatever their manner of acquisition to the use of water for the irrigation of said lands shall hereafter be forever appurtenant thereto unless separated therefrom in the manner set forth in par. 1 of the stock subscription and contract, together with the said shares of stock and all rights and interests represented thereby, or existing or accruing by reason thereof, unless such rights shall become forfeited under the provisions of this contract, or of the by-laws of this association, or by operation of law, or by the voluntary abandonment thereof by deed, grant, or other instrument, or by nonuser for the term prescribed by law; but no such abandonment shall be for the benefit of any person designated by the undersigned or his successor in interest, directly or indirectly, or to his use, nor confer any right whatsoever upon the holder of any grant, release, waiver, or declaration of abandonment of any kind: *Provided, however,* That if for any reason it should at any time become impracticable to use, for the benefit of said lands, the water supply and the works constructed for the irrigation and reclamation thereof, and to which lands the right to the use of the water supply is appurtenant, the said right may be severed from said land and simultaneously transferred and attached to other lands to which shares of stock in this association are, or shall thereby be, made appurtenant, if a request for leave to transfer, showing the necessity therefor, shall have first been allowed by a two-thirds vote of the board of directors at a regular meeting and approved by the Secretary of the Interior.

The stock represented by this certificate is assessable. The proportionate part of the estimated cost of building, operation, and maintenance and betterments of the works for the reclamation of the said lands as fixed and apportioned thereto by the Secretary of the Interior, and each installment thereof shall be a lien on said premises and shares of stock and all rights and interests represented thereby or existing or accruing by reason thereof or incident thereto; and upon the neglect or failure of the landholder, his heirs, executors, administrators, successors, or assigns to pay the said costs and charges or any part or installment thereof when due, said lien or liens, or any one thereof, may be foreclosed by the association in the manner provided by law for the foreclosure of mortgages; or, if the association should dissolve or cease to exist or operate, or for any

reason should neglect or fail to proceed promptly to collect said cost or charges or any part thereof, or to foreclose said liens, then said liens or any of them may be foreclosed in like manner by or under the authority of the Secretary of the Interior, and the proceeds paid to the United States: *Provided*, That the liens provided for herein may be foreclosed against said lands and the stock and rights appurtenant thereto together and at the same time, or against either the one or the other separately, but the foreclosure against one shall not release the lien or right of foreclosure against the other or any other lien or any lien for any unpaid portion of any installment or any other installment against said real estate, rights, or stock, until all the herein-named costs and charges have been paid; and if suit is brought to foreclose any of said liens, the landholder shall pay a reasonable attorney's fee for the foreclosure of said liens in addition to the costs and charges announced by the Secretary of the Interior.

Every transfer of the title to said lands to which the said rights and shares are appurtenant, whether by grant or operation of law (except where the land may be subjected by grant or involuntarily under any law to an easement, the exercise of which does not interfere with the cultivation of the soil by the servient owner) shall operate, whether it be so expressed therein or not, as a transfer to the grantee or successor in title of all rights to the use of water for the irrigation of said lands, also all rights arising from or incident to the ownership of such shares, as well as the shares themselves, and upon presentation to this association of proof of any such transfer of land, the proper officer shall transfer such shares of stock upon its books to the successor in title to said lands.

Any transfer or attempted transfer of any of the above shares of this association, made or suffered by the owner thereof, unless simultaneously a transfer of the land to which they are appurtenant is made or suffered to or in favor of the same party, shall be of no force or effect for any purpose and shall confer no rights of any kind whatsoever on the person or persons to whom such transfer may have been attempted to be made.

The subscriber shall, as prescribed in the stock subscription, make application to the proper representative of the United States for a water right, at the rate of not to exceed one acre for each share. Upon proper proof to the association that such application has been accepted and that he has complied with all the requirements in relation thereto, such subscriber shall be deemed to have paid on his stock the amount then paid to or for the use of the United States for such right; and when all the payments required for such right shall have been made, and when proper evidence of the perfection of such water right has been issued, his stock shall be deemed and held to have been fully paid up, and until fully paid he shall be liable therefor and the payments due thereon in pursuance of assessments and calls duly made by the board of directors shall be a lien upon such lands and shares, and the said lien shall be enforced by the association by foreclosure and sale of said stock and lands, or so much thereof as may be necessary, in the manner provided by law for the foreclosure of mortgages; and the purchaser at such sale shall be entitled to the benefit of all payments on the water right appurtenant to the land purchased and shall take such lands subject to the obligations and conditions provided in the stock subscription and by-laws.

This certificate is issued under and by virtue of the provisions of a by-law adopted by the directors of the Water Users' Association on the and entitles the holder hereof or his assignee, being the successor simultaneously in title to the lands above described, to all the rights of a shareholder of this association defined in the articles of incorporation and by-laws of said Water Users Association and subject to all the liabilities thereof, and to all the conditions and agreements of the stock subscription in the form provided by the by-laws, and upon which form the original subscription for

this stock was made. This certificate is likewise, and so is the holder thereof, subject to and governed by all the provisions of said articles of incorporation of said association and of the by-laws concerning the appurtenancy of said shares of stock and of the rights incident thereto to the above-described lands, and concerning the transfer thereof, and relative to the forfeiture thereof.

Whenever the legal holder hereof, being the holder under the provisions of said articles of incorporation and by-laws, shall have complied with the provisions of said articles of incorporation and by-laws relative to the initiation and completion of rights to the use of water for the irrigation of the lands above described from the Government of the United States, from any reservoir or other irrigation works constructed by the Government or in the construction of which it may have aided, and shall then have complied with all the rules and other provisions of said articles of incorporation and by-laws or amendments thereof, shall be entitled to and have issued to in lieu of this certificate a certificate or other evidence of ownership of said shares of stock, in all respects subject to and governed by the provisions of said articles of incorporation and the by-laws of this association.

Witness the signature of the president and of the secretary of the said association, by them respectively hereunto subscribed, and the seal thereof hereunto affixed, this day of, 19....

.....,
President.

.....,
Secretary.

[NOTE.—The stub of this certificate is marked:]

No. For shares. Issued to Dated
....., 19.... Lands
section, township, range.....

[Form of assignment on back:]

For value received hereby sell, assign, and transfer unto
..... shares of the capital stock represented by the within certificate, and do hereby irrevocably constitute and appoint to transfer the said stock on the books of the within named corporation, with full power of substitution in the premises.

Dated, 19....

In presence of—
.....

(Signature)

[NOTE.—The signature of this assignment must correspond with the names as written upon the face of this certificate in every particular, without alteration or enlargement, or any change whatever.]

[BRIEF.]

Certificate for shares of the capital stock of the Water Users' Association. (Main office and State)..... Issued to
Dated



This book should be returned to
the Library on or before the last date
stamped below.

A fine of five cents a day is incurred
by retaining it beyond the specified
time.

Please return promptly.

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Organization of water users' associ
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